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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/772,427	01/30/2001	David Lawrence	3499-93	9769

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NEW YORK, NY 10019-6131

EXAMINER

FULTS, RICHARD C

ART UNIT	PAPER NUMBER
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3628

DATE MAILED: 12/02/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/772,427

Applicant(s)

LAWRENCE, DAVID

Examiner

Richard Fults

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 18 May 2004.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 47-53 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 47-53 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☐ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____

DETAILED ACTION

There was an amendment filed on May 20, 2004, which did not amend any claims. Due to a computer problem, which led to an error by the examiner, an Advisory action was mailed to the Applicant which action is withdrawn and our apologies extended for any inconvenience to the Applicant. The 101 rejection for lack of utility has been withdrawn. Because of the error of addressing prior claims this new action is being made non-final in order to give the Applicant an opportunity to respond to the new rejection. Accordingly, claims 47-53 are being considered on their merits.

Claim Rejections - 35 USC § 112

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

1. Claims 47-53 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The claims cite data structuring reliance upon the calculation of a risk "quotient" using an algorithm, which quotient by mathematical definition is the result of one number **divided** by another or expressed as a ratio (one number divided by another) of two numbers multiplied by 100. In order to further understand the mechanism of this invention, the specification was consulted. However, the specification (on page 13) only mentions a "quotient" resulting from two numbers being **multiplied** together. There is only a single paragraph in the specification that describes the calculation by algorithm of a risk quotient, and that description is replete with the uncertain and non-specific terms "may be (or maybe not)" and "can be (or can not)", and

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does not clearly and adequately explain with certainty exactly how that quotient is calculated by one wishing to duplicate and use the invention. While an applicant may use his own defined words, those words cannot be the opposite of their normal well known meaning, which is the case when using the word "quotient" meaning the result of division to describe instead the product of multiplication.

In addition there is no definition of what the first category or second category (political risk score) is for purposes of calculating the risk score, nor is there any definition of what or at what level the threshold is or how it is calculated, nor is there any definition of what the scale of the score is so as to determine what numerical level is considered high and what level is low. In the example on page 13 of the specifications it is stated that a quotient of -12 indicates a low risk, but on a scale of all negative numbers -1 million would be low and -12 would be high. There is also no definition of the numeric criteria is for each evaluation factor, nor a list of all the evaluation factors, in order for a user to determine exactly what is at issue and how the risk scores are to be calculated. The applicant has not described a specific list of evaluation factors of either the person or the transaction, nor has he provided a specific list of the weightings that should be applied to each factor, nor has he provided a specific equation of how the "quotient" is to be calculated, nor has he provided a method of calculating what a threshold should be, nor has he provided a specific and complete concrete example of how this invention should be used with all elements and equations defined and included.

There is only a general concept proposed that one should know who they are dealing with in a financial transaction through some undescribed set of evaluation factors with equally undescribed weighting criteria, and how that knowledge on some undescribed numeric scale might impact their decision to do business with them in some undescribed way.

The MPEP in section 2164.01(a) lays out Undue Experimentation Factors (A) through (H). The claims of the applicant are very broad and vague, there is essentially no direction provided by the inventor, and the users must of necessity conduct a great deal of undue experimentation on their part in order to use the invention – to the point

where the users become the inventor of their own application of the invention, rather than the applicant.

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

2. Claims 47-53 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The claims cite data structuring reliance upon the calculation of a risk "quotient" using an algorithm, which quotient by mathematical definition is the result of one number **divided** by another or expressed as a ratio (one number divided by another) of two numbers multiplied by 100. The specification (page 13) only mentions a "quotient" resulting from two numbers being **multiplied** together. There is only a single paragraph in the specification that describes the calculation by algorithm of a risk quotient, and that description is replete with the uncertain and non-specific terms "may be (or maybe not)" and "can be (or can not)", and does not clearly and adequately explain with certainty exactly how that quotient is calculated by one wishing to duplicate and use the invention. While an applicant may use his own defined words, those words cannot be the opposite of their normal well known meaning, which is the case when using the word "quotient" meaning the result of division to describe instead the product of multiplication.

In addition there is no definition of what the first category or second category (political risk score) is for purposes of calculating the risk score, nor is there any definition of what or at what level the threshold is or how it is calculated, nor is there any definition of what the scale of the score is so as to determine what numerical level is considered high and what level is low. In the example on page 13 of the specifications it

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is stated that a quotient of -12 indicates a low risk, but on a scale of all negative numbers -1 million would be low and -12 would be high. There is also no definition of the numeric criteria is for each evaluation factor, nor a list of all the evaluation factors, in order for a user to determine exactly what is at issue and how the risk scores are to be calculated. The applicant has not described a specific list of evaluation factors of either the person or the transaction, nor has he provided a specific list of the weightings that should be applied to each factor, nor has he provided a specific equation of how the "quotient" is to be calculated, nor has he provided a method of calculating what a threshold should be, nor has he provided a specific and complete concrete example of how this invention should be used with all elements and equations defined and included.

There is only a general concept proposed that one should know who they are dealing with in a financial transaction through some undescribed set of evaluation factors with equally undescribed weighting criteria, and how that knowledge on some undescribed numeric scale might impact their decision to do business with them in some undescribed way.

The MPEP in section 2164.01(a) lays out Undue Experimentation Factors (A) through (H). The claims of the applicant are very broad and vague, there is essentially no direction provided by the inventor, and the users must of necessity conduct a great deal of undue experimentation on their part in order to use the invention – to the point where the users become the inventor of their own application of the invention, rather than the applicant.

Claim Rejections - 35 USC § 103

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made

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to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

4. Claims 47-53 are rejected under 35 U.S.C. 103(a) as being unpatentable over in view of Basch et al (US 6,119,103) (hereinafter Basch) in view of the Applicant disclosed federal guidelines relating to foreign political corruption of US financial institutions and "Know your customer" requirements (see "Background" of the Specification).

Basch discloses (see at least columns 1-26, but in particular column 3 lines 50-67 and column 4 lines 1-16 (two category scores summed to a total for risk evaluation), column 5 lines 29-45 (risk of fraudulent usage, which is a form of political risk), column 6 lines 21-38 (use of publicly available information for entry into the customer database and risk evaluation factors), column 9 lines 22-37 (generating risk scores base on fraudulent usage, a form of political risk), column 11 lines 51-67 and column 12 lines 1-2 (adaptation to different models for fraud detection, a form of political risk), and column 13 lines 26-49 (the use of an alert system for action to be taken based on the combined risk score relative to a specific threshold)) all the steps, methods, and systems described in claims 47-53, including receiving digital transaction data into a computer system including data identifying a participant in the financial transaction, determining that the participant is a politically identified person by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel, calculating a first category political risk score based on the financial transaction data, calculating a second category political risk score based on the financial transaction data, calculating based on the first and second category political risk scores an overall transaction political risk quotient associated with the financial transaction, comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction. Basch does not teach "political" as an adjective but he does teach the collection of

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standard demographic data on financial service customers, which would typically include their occupation and name of employer, which computerized information would easily enable the determination of what the applicant terms to be "politically identified persons" status by simply inputting those search terms into the database. Basch does not teach risk analysis other than for credit and fraud.

The Federal guidelines for political risk and know your customer both teach the concept of risk analysis for political risk.

Because it would have been common sense and advantageous and would have provided a more comprehensive and cost efficient method of analyzing financial risks relative to the political/financial exposure involved it would have been obvious to one skilled in the art at the time of the invention to add the teachings of the Federal guidelines to those of Basch, and to add those of Basch to the Federal guidelines for the same reasons.

5. **Note of Obviousness.** Applicant has disclosed in their specifications, on pages 1-3, the **preexistence** of US Government guidelines requiring the measurement of political risk in financial transactions. **The measurement of risk/fraud in financial transactions in the fields of insurance, securities, credit, and criminal fraud are old and well known activities and steps**, and routinely involve **multiple** categories of risk measurement. In the 1998 Dictionary of Finance and Investment Terms by Barrons, fraud is defined as: "intentional misrepresentation, concealment, or omission of the truth for the purpose of deception or manipulation to the detriment of a person or an organization". Fraud is a form of political risk. **By definition** political risk concerns politicians and people who work for any government or quasi-government international organization, including the World Bank. The use and analysis of demographic/financial/**occupational data (profiling)** information to the investigation of risk/fraud and detailed review of individuals/companies/cities/states/countries meeting certain criteria, and obvious business actions taken as a result of those analyses, are both old and well known. The concept of "**know your customer**" has been used by banks and securities firms for several decades, and the concept of mental risk

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evaluation (score) of both customer and the relative risk of the transaction has been used by sellers and financial agents since the traders of antiquity, eg: a customer would be visually appraised, perhaps his currency inspected, and his **background** considered and investigated as might be possible to see what the relative risk (score) was of him being involved in a **legal** transaction and living up to his side of the financial transaction, and then another simple mental risk score would be mentally calculated based on the relative size of the transaction – if a very small amount of money was involved there would be a very small risk and vice versa, and **subsequent action taken based on the information obtained**, including calling the authorities if he was a known or suspected criminal on the loose, and the opening of new accounts and the processing of new transactions. The claims 47-53 represent a composite of concepts well known in the art prior to the application, which specific concepts were composed as a direct result of and after the issuance of government guidelines requiring political risk measurements, and which **obvious** general concepts could have been prepared by virtually anyone skilled in the art at the time of the invention as a response of those new government guidelines.

Because of those facts it would have been obvious to one skilled in the art at the time of the invention to apply those concepts of demographic/occupational evaluation, standard risk measurement activities, know-your-customer, the subsequent action based upon that information, and the teachings of Basch to the evaluation of political risk exposure of a person involved in a financial transaction and action taken as a result of those analyses

6. Response to Applicant's Arguments

35 USC 112. The statute states (**and requires**) that: The specification shall contain a written description of the invention, and of the **manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains**, or with which it is

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most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The few generic examples of algorithms and instructions in the specifications regarding the calculation of a risk quotient of regulatory risk which algorithms, according to the specifications "may" (or may not) be utilized, **do not provide full, clear, concise, and exact terms as to enable any person skilled in the art to duplicate the invention.** As written it is entirely subjective and incomplete, and only provides a general description of old and well known approaches to common analyses of risk; not a specific set of steps with very specific mathematical values or algorithms for or a detailed list of each element being evaluated by this invention or a definition of what weights will be applied to which elements.

The MPEP in section 2164.01(a) lays out Undue Experimentation Factors (A) through (H). The claims of the applicant are very broad and vague, there is essentially no direction provided by the inventor, and the users must of necessity conduct a great deal of undue experimentation on their part in order to use the invention – to the point where the users become the inventor of their own application or use of the invention, rather than the applicant.

The two declarations have been considered but found to be not pertinent, as the authors have read into their declarations the old and well known obvious risk measurements which would have been followed by virtually any person skilled in the art at the time of the invention, in following the preexisting government guidelines regarding political risk measurement, rather than by the essentially non-existent guidelines within the claims.

The current claims have been examined and examiner agrees with applicant that Taub is not material to them, and consequently Taub has been deleted as a reference. Consequently the arguments raised about Taub are moot. In his place the prior reference Basch is being used, which reference was not addressed by the applicant, so there are no arguments to rebut on Basch. The other two references must now be read in light of Basch, and the applicant now has an opportunity to do so.

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The issue of whether or not this invention requires undue experimentation is a matter of interpretation, and the examiner believes that such experimentation would be required in light of the lack of concrete guidelines within the claims. The same comment is also applicable to the issue of lack of enablement and to the subject of the 112 2nd paragraph. The 101 lack of utility rejection has been withdrawn.

Regarding the example used by applicant that the references do not teach the exposure of Riggs Bank, examiner disagrees. Riggs was only one of very few out of thousands of banks which were cited for money laundering, which is a fraud, and Basch teaches the measurement of risk from fraud, as does the preexisting government political risk guidelines on the subject, and as did the preexisting banking regulation guidelines. The concept of measuring risk of fraud, a form of political risk, is not new.

Credit risk has for a long time contained an element of measurement of risk from fraud, so the two are not completely separate concepts, as Basch teaches. The Federal guidelines show the concepts and prevalence of the old and well known measurement of risks in other areas which, along with Basch and common knowledge at the time, provides the background for one skilled in the art at the time of the invention to have applied their teachings to making this invention without knowledge of this application.

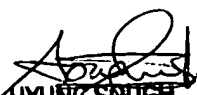
7. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Richard Fults whose telephone number is 703-305-5416. The examiner can normally be reached on weekdays from 8:30 to 5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough, can be reached on (703)-305-0505. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.


RCF

11/22/2004


HYUNG SOUGH
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3600